

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
DTE ELECTRIC COMPANY)	
for approval of the reconciliation of its 2015 energy)	Case No. U-18023
optimization plan expenses filed pursuant to)	
Public Act 295 of 2008.)	
_____)	

At the November 22, 2016 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On May 16, 2016, DTE Electric Company (DTE Electric) filed an application, with supporting testimony and exhibits, requesting approval of the reconciliation of its energy optimization (EO) plan, for the 2015 plan year, and authority to implement EO surcharges, and other related relief pursuant to requirements of 2008 PA 295, MCL 460.1001 *et seq.* (Act 295).

A prehearing conference was held on July 12, 2016, before Administrative Law Judge Dennis W. Mack. DTE Electric and the Commission Staff (Staff) participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agreed that during 2015, DTE Electric implemented and operated its approved EO plan that includes:

(1) energy savings targets established by Act 295; (2) offerings for each customer class, including low-income residential; (3) specific funding levels; (4) cost recovery mechanisms allowing recovery of EO plan costs; (5) EO programs, excluding program offerings to low-income residential customers, that are cost-effective; and (6) practical and effective administration of the programs. The Staff audited DTE Electric's books and records and found that the results of the audit warrant agreement with the reconciliation numbers filed in DTE Electric's application supported by the associated testimony and exhibits.

The parties also agreed that DTE Electric's EO plan implemented during 2015 achieved compliance with the requirements of Act 295 of a Utility System Resource Cost Test (USRCT) score of greater than one and the legislated energy savings of 1.00% of 2014 annual retail sales, equating to 485 gigawatt hours (GWh). The parties acknowledged that DTE Electric actually exceeded these requirements by accomplishing a USRCT score of 5.33 and by achieving 621 GWh of verified net energy savings. In addition, the parties agreed that DTE Electric earned the performance incentive approved by the Commission in its December 20, 2012 order in Case No. U-17049, allowing the recovery of the 2015 performance incentive of \$13.1 million and the \$0.2 million underrecovery of the 2013 performance incentive for a total of \$13.3 million, which should be recovered over a 12-month period beginning January 1, 2017.

The parties agreed that the planned EO program spend was \$87.8 million; the actual EO program spend was \$87.1 million, and based on the operation of the surcharge during 2015, DTE Electric calculated a net underrecovery of \$0.8 million. The parties agreed that the cumulative underrecovery for 2015 should be carried forward into 2016 on a customer class basis and used as beginning balances for the 2016 reconciliation.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. DTE Electric Company is authorized to implement the surcharges set forth in the tariff sheets attached to the settlement agreement for bills rendered on and after January 1, 2017.
- C. Any over- or underrecovery resulting from the surcharges shall be reflected in DTE Electric Company's next energy optimization plan reconciliation proceeding beginning balance.
- D. Within 30 days of the date of this order, DTE Electric Company shall file tariff sheets substantially similar to those attached to the settlement agreement.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungp1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of November 22, 2016.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of DTE Electric Company's)	
Application for Approval of the Reconciliation of)	
Its 2015 Energy Optimization Plan expenses)	Case No. U-18023
filed pursuant to Public Act 295 of 2008)	(Paperless e-file)
_____)	

STIPULATION AND SETTLEMENT AGREEMENT

Pursuant to Section 78 of the Administrative Procedures Act of 1969 ("APA"), as amended, MCL 24.278 and Rule 431 of the Rules of Practice and Procedure before the Michigan Public Service Commission ("MPSC" or "Commission"), the undersigned parties agree as follows:

1. This Stipulation and Settlement Agreement ("Settlement Agreement") between DTE Electric Company ("DTE Electric") and the Michigan Public Service Commission Staff ("Staff"), (collectively, the "Parties") is intended by the Parties as a final settlement and satisfaction of all issues before the Commission in the 2015 reconciliation of DTE Electric's Energy Optimization Plan ("EO Plan") expenses filed in Case No. U-18023.

2. On October 6, 2008, the "Clean, Renewable, and Efficient Energy Act," 2008 PA 295, MCL 460.1001 et seq. ("Act 295") was signed into law. Act 295 requires certain electric providers and natural gas providers to file proposed EO plans with the Commission for its review and approval. Act 295 states that the overall goal of the EO plan is to reduce the future costs of providing electric and natural gas service to customers.

3. On March 29, 2016, the Commission issued an order in Case No. U-18023 directing DTE Electric to file the Company's 2015 EO reconciliation by May 15, 2016. On June

16, 2016, the Commission directed DTE Electric to publish a notice of hearing in newspapers of general circulation in DTE Electric's service territory. A prehearing conference was conducted before Administrative Law Judge Dennis W. Mack on July 12, 2016 at which a procedural schedule was adopted, and Staff and DTE Electric appeared as the only parties participating in this case. In an attempt to efficiently resolve the matter, the Parties have agreed to enter into a full settlement of this case and recommend approval by the Commission of the following items.

4. The Parties acknowledge that during 2015, DTE Electric implemented and operated its approved EO plan which includes: (1) energy savings targets established by PA 295; (2) offerings for each customer class, including low income residential; (3) specific funding levels; (4) cost recovery mechanisms allowing recovery of EO plan costs; (5) EO programs, excluding program offerings to low income residential customers, that are cost-effective; and (6) practical and effective administration of the programs. Staff has audited DTE Electric's books and records and finds the results of the audit warrant agreement with the reconciliation numbers filed in DTE Electric's Application as further supported by the associated testimony and exhibits.

5. The Parties agree that DTE Electric's EO plan implemented during 2015 achieved compliance with the requirements of Act 295 of a USRCT score of greater than one and the legislated energy savings of 1.00% of 2014 annual retail sales equating to 485 GWh. The Parties acknowledge that DTE Electric actually exceeded these requirements by accomplishing a USRCT score of 5.33 and by achieving 621 GWh of verified net energy savings. In addition, the Parties agree DTE Electric earned the performance incentive approved by the Commission in its December 20, 2012 Order in Case No. U-17049.

6. The Parties agree that the 2015 planned EO program spend was \$87.8 million and the actual EO program spend was \$87.1 million. Further, based on the operation of the surcharge

during 2015, DTE Electric had a net under recovery of \$0.8 million and that it is appropriate for the calculated cumulative under recovery for 2015 to be carried forward into 2016 on a customer class basis and used as beginning balances for the 2016 reconciliation.

7. The Parties agree that after the Commission issues an order approving the Settlement Agreement, DTE Electric may recover the 2015 performance incentive of \$13.1 million and the \$0.2 million under recovery of the 2013 performance incentive for a total of \$13.3 million which will be recovered over a twelve month period beginning effective January 1, 2017 as set forth in Attachment A to this Settlement Agreement..)

8. The Parties request that the Commission enter an order approving DTE Electric's 2015 EO Plan reconciliation and approve the attached Tariff Sheet implementing the revision to the EO Plan surcharge as discussed above, and any over or under recovery resulting from the issuance of the surcharges will be reflected in DTE Electric's next EO Plan reconciliation proceeding beginning balance.

9. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the Parties. All offers of settlement and discussions relating to this Settlement Agreement are considered privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the Parties to this settlement nor the Commission shall make any reference to, or use this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided however, such references may be made to enforce or implement the terms of the Settlement Agreement and the order approving it.

10. This Settlement Agreement is not severable. Each provision of this Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, and shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall not operate to prejudice the pre-negotiation positions of any party.

11. This Settlement Agreement is reasonable and in the public interest, and will reduce the time and expense of the Commission, its Staff, and the Parties.

12. The Parties agree to waive Section 81 of 1969 PA 306 (MCL 24.281), as it applies to the issues in this proceeding, if the Commission approves this Settlement Agreement without modification.

13. This Settlement Agreement may be executed in any number of counterparts, each considered an original, and all counterparts that are executed shall have the same effect as if they were the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Settlement Agreement to be duly executed by their respective duly authorized officers as of the date first written below.

DTE ELECTRIC COMPANY

By: **Richard P. Middleton**
Richard P. Middleton (P41278)
Attorney for DTE Electric Company

Digitally signed by Richard P. Middleton
DN: cn=Richard P. Middleton, o=DTE Energy
Company, ou=General Counsel Organization,
email=richard.middleton@dteenergy.com,
c=US
Date: 2016.10.17 16:46:42 -04'00'

Dated: October 17, 2016

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

By: **Bryan A. Brandenburg**
Bryan A. Brandenburg (P77216)
Spencer A. Sattler (P70524)
Assistant Attorney General

Digitally signed by Bryan A. Brandenburg
DN: cn=Bryan A. Brandenburg, o=Attorney
General Department, ou=Public Service
Division,
email=brandenburgb@michigan.gov, c=US
Date: 2016.10.18 10:06:00 -04'00'

Dated: _____, 2016

C9 SURCHARGES AND CREDITS APPLICABLE TO DELIVERY SERVICE (Contd.)

C9.6 Energy Optimization Surcharge (EOS)

On June 2, 2009, in Case No. U-15806, the MPSC authorized the implementation of an Energy Optimization Surcharge (EOS) for electric customers in accordance with the Clean, Renewable, and Energy Efficiency Act, PA295 of 2008. The EOS will be used to fund energy efficiency programs for DTE Electric customers. The EOS rates approved by the MPSC on _____, **2016** in Case No. **U-18023** will be effective beginning with bills rendered in **January 2017**. The total EOS for all residential customers is **\$0.003390** per kWh or **1.8%** for unmetered service. The EOS for all metered Commercial, Industrial, and Governmental customers is a per meter, per month charge which is based on the total monthly energy consumption by rate as shown in the table below or **1.6%** for unmetered service.

<u>Voltage</u>	<u>Monthly Consumption</u>	Customers Without Self Directed Plans Energy Optimization <u>Surcharge</u>	Customers With Self Directed Plans Energy Optimization <u>Surcharge</u>
Secondary	0 – 850 kWh	\$1.19/meter/month	\$0.10/meter/month
Secondary	851 – 1,650 kWh	\$7.11/meter/month	\$0.57/meter/month
Secondary	Above 1,650 kWh	\$29.99/meter/month	\$2.53/meter/month
Primary	0 – 11,500 kWh	\$42.84/meter/month	\$4.20/meter/month
Primary	Above 11,500 kWh	\$440.18/meter/month	\$42.05/meter/month

C9.7.6 HOLD FOR FUTURE USE

(Continued on Sheet No. C-69.00)

Issued _____, 2016
D. M. Stanczak
Vice President
Regulatory Affairs
Detroit, Michigan

Effective for bills rendered on
and after January 1, 2017

Issued under authority of the
Michigan Public Service Commission
dated _____, 2016
in Case No. U-18023

(Continued from Sheet No. C-69.00)

C9 SURCHARGES AND CREDITS APPLICABLE TO DELIVERY SERVICE: (Contd.)

C9.8 Summary of Surcharges and Credits: Summary of surcharges and credits, pursuant to sub-rules C9.1, C9.2, C9.6, C9.7.9, C9.7.10, and C9.7.11 of this rule. Cents per kilowatthour or percent of base bill, unless otherwise noted.

	<u>NS</u> ¢/kWh	<u>EOS(1)</u> ¢/kWh	<u>U-18014 IS (2)</u> ¢/kWh	<u>Total Delivery</u> <u>Surcharges</u> ¢/kWh	<u>LIEAF Factor</u> \$/Billing Meter
Residential					
D1 Residential	0.0675	0.3390	0.8156	1.2221¢	\$0.96
D1.1 Int. Space Conditioning	0.0675	0.3390	0.7302	1.1367¢	N/A
D1.2 Time of Day	0.0675	0.3390	0.6651	1.0716¢	N/A
D1.6 Special Low Income Pilot	0.0675	0.3390	0.8156	1.221¢	\$0.96
D1.7 Geothermal Time-of-Day	0.0675	0.3390	0.4646	1.8711¢	N/A
D1.8 Dynamic Peak Pricing	0.0675	0.3390	0.7293	1.1358¢	\$0.96
D1.9 Electric Vehicle	0.0675	0.3390	0.7636	1.1701¢	N/A
D2 Space Heating	0.0675	0.3390	0.6969	1.1034¢	\$0.96
D5 Wtr Htg	0.0675	0.3390	0.5787	0.9852¢	N/A
D9 Outdoor Lighting	0.215%	1.8%	5.31%		N/A
Commercial					
D1.1 Int. Space Conditioning	0.0675	See C9.6	0.5130		\$0.96
D1.7 Geothermal Time-of-day	0.0675	See C9.6	0.3279		\$0.96
D1.8 Dynamic Peak Pricing	0.0675	See C9.6	0.6041		\$0.96
D1.9 Electric Vehicle	0.0675	See C9.6	0.7636		\$0.96
D3 General Service	0.0675	See C9.6	0.6299		\$0.96
D3.1 Unmetered	0.0675	See C9.6	0.5643		N/A
D3.2 Educ. Inst.	0.0675	See C9.6	0.4096		\$0.96
D3.3 Interruptible	0.0675	See C9.6	0.5025		\$0.96
D4 Large General Service	0.0675	See C9.6	0.4963		\$0.96
D5 Wtr Htg	0.0675	See C9.6	0.3916		\$0.96
D9 Outdoor Lighting	0.215%	1.6%	5.31%		\$0.96
R3 Standby Secondary	0.0675	See C9.6	0.4131		\$0.96
R7 Greenhouse Lighting	0.0675	See C9.6	0.3516		\$0.96
R8 Space Conditioning	0.0675	See C9.6	0.5567		\$0.96
Industrial					
D6.2 Educ. Inst.	0.0675	See C9.6	0.4025		\$0.96
D8 Interruptible Primary	0.0675	See C9.6	0.3350		\$0.96
D10 Schools	0.0675	See C9.6	0.5271		\$0.96
D11 Primary Supply	0.0675	See C9.6	0.3717		\$0.96
R1.1 Metal Melting	0.0675	See C9.6	0.3581		\$0.96
R1.2 Electric Process Heating	0.0675	See C9.6	0.3539		\$0.96
R3 Standby Primary	0.0675	See C9.6	0.4131		\$0.96
R10 Interruptible Supply	0.0675	See C9.6	0.3125		\$0.96

(Continued on Sheet No. C-71.00)

Issued _____, 2016
D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

Effective for bills rendered on
and after January 1, 2017

Issued under authority of
the Michigan Public Service Commission
dated _____, 2016
in Case No. U-18023

(Continued from Sheet No. C-70.00)

C9 SURCHARGES AND CREDITS APPLICABLE TO DELIVERY SERVICE: (Contd.)

C9.8 Summary of Surcharges and Credits (Contd.):

	<u>NS</u> ¢/kWh	<u>EOS(1)</u> ¢/kWh	<u>U-18014 IS (2)</u> ¢/kWh	<u>LIEAF Factor</u> \$/Billing Meter
Governmental				
E1	0.172%	1.6%	5.31%	N/A
E1.1 Energy	0.0675	See C9.6	0.4203	\$0.96
E2 Traffic	0.928%	1.6%	5.31%	N/A
Electric Choice				
EC2 Secondary	0.0675	See C9.6	0.1508	\$0.96
EC2 Primary	0.0675	See C9.6	0.0460	\$0.96
EC2 Residential	0.0675	0.3344	0.1508	\$0.96

Notes: (1) For EOS unmetered classes, % applies to base bill and NS. (2) for U-18014 IS unmetered classes, % applies to total bill before taxes.

(Continued on Sheet No. C-72.00)

Issued _____ 2016
D. M. Stanczak
Vice President
Regulatory Affairs
Detroit, Michigan

Effective for bills rendered on
and after January 1, 2017

Issued under authority of the
Michigan Public Service Commission
dated _____, 2016
in Case No. U-18023